

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 ACDA-12 CIAE-00 INR-10 IO-13
L-03 NSAE-00 NSC-05 EB-08 NRC-05 OES-07 SOE-02
DODE-00 DOE-15 SS-15 SP-02 CEQ-01 AID-05 COME-00
FRB-03 ICA-11 TRSE-00 XMB-02 OPIC-03 LAB-04
SIL-01 OMB-01 /153 W
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FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 0297
INFO AMEMBASSY LONDON
AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 2794

PASS EXPORT-IMPORT BANK FOR HEIDRICH

E.O. 11652: GDS
TAGS: BEXP EFIN BENC OECD UK US
SUBJ: KORI NUCLEAR POWER STATIONS 3 AND 4

1. IN RECENT CONTACTS WESTINGHOUSE REPS HAVE BROUGHT EMBASSY
UP TO DATE ON LOCAL PERCEPTIONS OF THE KORI 3 AND 4 LOAN
STATUS AND THE VENDORS CONTINUING STRUGGLE TO DISPLACE G.E.C.
(OF ENGLAND) AS KECO'S SELECTED TURBINE/GENERATOR SUPPLIER
ON THE TWIN UNITS.

2. KECO AND WESTINGHOUSE APPARENTLY BELIEVE THAT THE EXIM
LOAN SUPPORTING KORI 3 AND 4 WILL BE SUBMITTED FOR MANDATORY
25 DAY CONGRESSIONAL REVIEW ON OR ABOUT 1 MAY 1978. KECO AND
ITS ENGINEERS-CONSULTANTS FOR THE PROJECT, BECHTEL, NOW PLAN
TO SUBMIT THE FIRST INCREMENT OF THEIR TOTAL PLANT PROCUREMENT
AS A THREE-ELEMENT PACKAGE FOR ROKG APPROVAL COVERING THE
KECO CONTRACTS WITH WESTINGHOUSE (NUCLEAR SYSTEM), G.E.C.
(TURBINE/GENERATORS) AND BECHTEL (PROJECT MANAGEMENT/ENGINEER-
ING SERVICES) DURING EARLY JUNE 1978. THE LATE MAY OR EARLY
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JUNE 1978 U.S. CONGRESSIONAL APPROVAL FOR EXIM FINANCING THUS
REMAINS A KEY ELEMENT IN THE KECO PROJECT APPROVAL PROCESS
AND A MID-YEAR CONSTRUCTION START-UP.

3. ON APRIL 4, 1978, KECO ANNOUNCED IN SEOUL THAT IT HAD THE
PREVIOUS DAY SIGNED KORI 3 AND 4 NUCLEAR STEAM SUPPLY SYSTEM
CONTRACTS WITH WESTINGHOUSE AT A TOTAL COST OF U.S. \$148,776,000

AND HAD ALSO SIGNED A FUEL CONTRACT WITH THE SAME SUPPLIER FOR \$19,922,000. THE SAME PRESS COVERAGE NOTED THAT KECO WAS NEGOTIATING WITH G.E.C. FOR TWIN TURBINE/GENERATORS AND EXPECTED TO SIGN A CONTRACT BY THE END OF APRIL.

4. WESTINGHOUSE, AS THE DESIGNATED SECOND SOURCE FOR THE KORI 3 AND 4 TURBINE/GENERATORS, REMAINS ACTIVE IN THE PURSUIT OF THIS CONTRACT AND HAS NOT CONCEDED THE SALE TO ELHGC.

WESTINGHOUSE HAS BEEN ASSURED THAT SENIOR TAIPOWER OFFICIALS, IN THE COURSE OF KECO PRESIDENT KIM YOUNG-JOON'S APRIL 17-21

WORKING VISIT TO TAIWAN, WILL ADVISE KIM TO SWITCH FROM THE G.E.C. TURBINES. WESTINGHOUSE IS ALSO HOPING LOCAL PRESSURE AND PRESS COMMENTARY UNFAVORABLE TO G.E.C. WILL CONTINUE TO BUILD AND ENCOURAGE KECO TO REINITIATE TURBINE/GENERATOR DISCUSSIONS WITH U.S. SUPPLIERS.

5. WESTINGHOUSE'S OPTIMISM NOTWITHSTANDING, THE EMBASSY JUDGES THAT THE GAME IS NEARLY UP. WITH KECO SUPPORTING THE THREE ELEMENT PACKAGE, WE SEE A FINAL ROKG APPROVAL OF THE WESTINGHOUSE/G.E.C./BECHTEL PROGRAM AS A NEAR CERTAINTY. THE ONLY WILD CARD STILL FULLY CAPABLE OF DISRUPTING DOMINANT U.S. PARTICIPATION IN THIS \$1.8 BILLION PROJECT IS DELAY IN THE U.S.G. LEGISLATIVE OR EXECUTIVE BRANCH LOAN APPROVAL PROCESS.

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